

# Private Markets: From Niche to Mainstream

A study of European fund selectors





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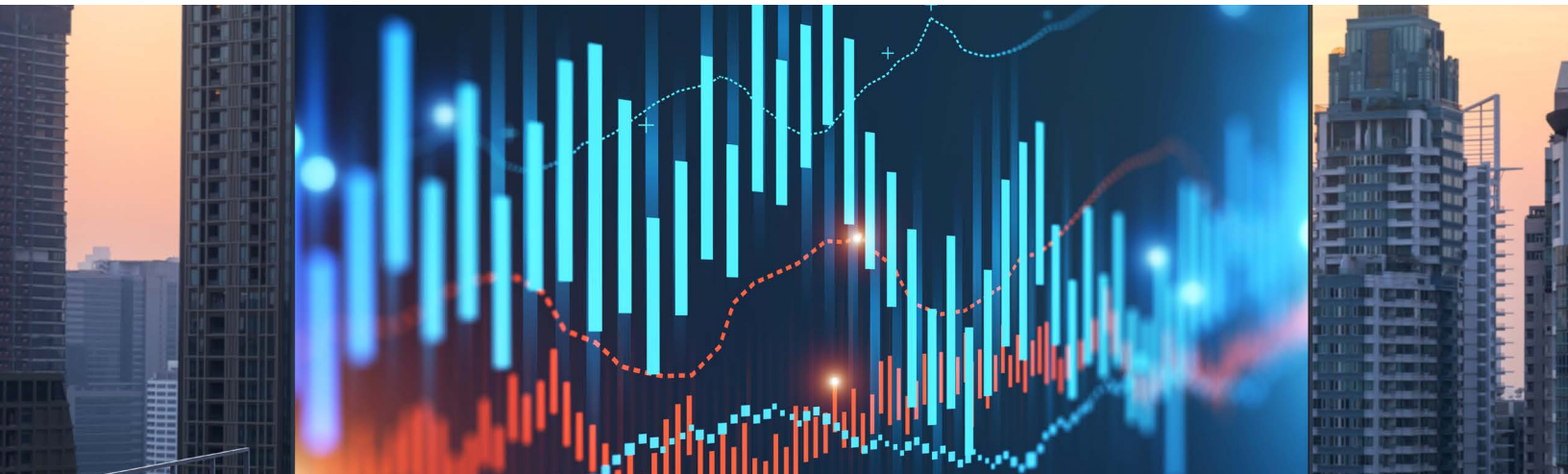
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## Five key takeaways

- 1** Nearly three in 10 (27%) European fund selectors say their organization is shifting its investment strategy from public markets to private markets. These findings show how private markets are fast moving from the alternative to mainstream as investor organizations increasingly adopt them as core portfolio holdings.
- 2** A belief that private assets offer stronger return prospects is hastening the shift from the public to private arena. Nearly a third (31%) of European fund selectors think private markets will consistently outperform public markets going forward. Furthermore, half (51%) say low bond yields and rising inflation are compelling their organization to look for opportunities in private debt.
- 3** Nearly four in 10 (38%) European selectors think private markets will be instrumental in achieving net zero carbon emissions. This is fuelling demand for renewable energy, which will play a leading role in the race to net zero. More than half of European selectors (55%) say their organization plans to increase investment in renewable energy infrastructure over the next five years. And a similar proportion (53%) think the role of real assets in the energy transition creates an unprecedented investment opportunity.
- 4** Expertise is the most sought-after asset manager attribute when investing in private markets. Nearly eight in 10 (79%) fund selectors say a high level of internal expertise and resources is important when selecting an asset manager. A long track record managing private assets is the next most-valued manager capability (75%), followed by the ability to embed ESG criteria into the private asset investment process (54%).
- 5** Some European fund selectors are concerned the investment dynamics will alter as private assets become increasingly popular. More than four in 10 (44%) think private markets are getting crowded and it's becoming more difficult to allocate capital to the sector. And more than a third (36%) think private markets will be subject to tighter regulation which will dent their appeal.

## Methodology

CoreData Research surveyed 130 European fund selectors at global financial organizations in June 2022. Respondents came from the DACH (Germany, Austria, Switzerland), Benelux (Belgium, Netherlands, Luxembourg), Nordics (Denmark, Finland, Iceland, Norway, Sweden) and the UK and Italy.



## Background

Private markets have become increasingly attractive to investors due to their ability to provide diversification via uncorrelated assets and generate attractive returns and reliable income streams. This is part of a fundamental shift in the investment paradigm as organisations pivot away from uncertain and volatile public markets towards private and alternative assets.

The transition is being fuelled by an expanding set of opportunities in private markets as fewer companies go public or opt to delay IPOs. Reasons for companies staying private for longer include avoiding the compliance and regulatory costs of listing, evading the shareholder scrutiny that public firms face and maintaining control over operations.

All of which means that while public markets are shrinking, private markets are expanding and offering a greater universe of dynamic investment opportunities. Private markets give investors access to fast-growing, innovative companies in sectors benefiting from structural changes in the economy such as tech and biotech.

And while private assets offer investors the potential for superior returns over the long term, they also tend to carry higher fees for asset managers. This is especially relevant at a time when downward pressure on fees and the relentless rise of passives are squeezing asset manager margins.

The move into private markets is also part of a wider democratisation of investing, whereby retail investors have access to more alternative, niche sectors previously the preserve of institutional investors.

Goldman Sachs estimates that the overall private markets sector could, in one scenario, balloon to as much as \$30tn by 2026. Private market opportunities are particularly plentiful in Europe. Private equity and venture capital firms invested a record €138 billion into European companies in 2021 — marking a 51% increase from 2020, according to Invest Europe, an association representing the industry.



## Conclusion

The growing appeal of private assets results from a confluence of trends. These include poorly performing, volatile public markets, the breakdown in traditional asset class correlations and companies staying private for longer. Private markets also tap into structural trends at the forefront of economic and sustainable change. The likes of private equity, private debt and infrastructure thus offer a broader opportunity set for investors.

But generating alpha from these private market opportunities and managing their idiosyncratic risks requires considerable expertise and resources. The rise of private markets therefore provides active managers with an opportunity to showcase their skill and demonstrate their value at a time when passives are eating into their market share.



## About Us

CoreData Research is a global specialist financial services research and strategy consultancy. CoreData Research understands the boundaries of research are limitless and with a thirst for new research capabilities and driven by client demand; the group has expanded over the past few years into the Americas, Africa, Asia, and Europe.

CoreData Group has operations in Australia, the United Kingdom, the United States of America, Spain, Malta, and the Philippines. The group's expansion means CoreData Research has the capabilities and expertise to conduct syndicated and bespoke research projects on six different continents, while still maintaining the high level of technical insight and professionalism our repeat clients demand.

With a primary focus on financial services CoreData Research provides clients with both bespoke and syndicated research services through a variety of data collection strategies and methodologies, along with consulting and research database hosting and outsourcing services.

CoreData Research provides both business-to-business and business to- consumer research, while the group's offering includes market intelligence, guidance on strategic positioning, methods for developing new business, advice on operational marketing and other consulting services.

The team is a complimentary blend of experienced financial services, research, marketing and media professionals, who together combine their years of industry experience with primary research to bring perspective to existing market conditions and evolving trends.

CoreData Research has developed a number of syndicated benchmark proprietary indexes across a broad range of business areas within the financial services industry.

- Experts in financial services research
- Deep understanding of industry issues and business trends
- In-house proprietary industry benchmark data
- Industry leading research methodologies
- Rolling benchmarks

The team understands the demand and service aspects of the financial services market. It is continuously in the market through a mixture of constant researching, polling and mystery shopping and provides in-depth research at low cost and rapid execution. The group builds a picture of a client's market from hard data which allows them to make efficient decisions which will have the biggest impact for the least spend.



## Whitepaper compiled by CoreData

To discuss your research needs, contact:

### SYDNEY

CoreData Pty Limited  
Suite 7, Level 9, 66 Hunter St  
Sydney, NSW, 2000  
T: +61 2 9376 9600  
E: [sydney@coredataresearch.com](mailto:sydney@coredataresearch.com)

### PERTH

CoreData WA  
Level 2 East The Wentworth  
Building, 300 Murray St  
Perth WA 6000  
T: +61 8 6500 3216  
E: [perth@coredataresearch.com](mailto:perth@coredataresearch.com)

### US

CoreData Research LLC  
15 Court Square, #450  
Boston, MA 02108  
T: +1 857 239 8398  
E: [boston@coredataresearch.com](mailto:boston@coredataresearch.com)

### UK

CoreData Research Ltd  
Office One, 1 Coldbath Square,  
Farringdon, London, EC1R 5HL  
T: +44 796 910 1179 /  
+44 779 336 7190  
E: [london@coredataresearch.com](mailto:london@coredataresearch.com)

### PHILIPPINES

CoreData Research Services Inc.  
Unit E-1608 Philippine Stock  
Exchange Centre, Exchange Rd,  
Ortigas, Pasig City, 1605  
T: +63 998 581 9950 /  
+63 917 562 5667  
E: [manila@coredataresearch.com](mailto:manila@coredataresearch.com)